

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 MONTREAL 001196

SIPDIS

SENSITIVE

FROM USMISSION ICAO

USUN FOR IO DAS TERRY MILLER; DEPT FOR IO/T, EB/TRA, AND
SA/A; FAA FOR FELDMAN AND CAPESTANY

E.O. 12958: N/A

TAGS: [EAIR](#) [ECIN](#) [EAID](#) [EFIN](#) [UNGA](#) [ICAO](#)

SUBJECT: FRENCH PROPOSAL TO TAX AIRLINE TICKETS - USICAO
RESPONSE TO DEMARCHE REQUEST

Reftel: State 162146

This cable is Sensitive But Unclassified. Please handle accordingly.

1. (SBU) Summary. The Acting US Representative to the International Civil Aviation Organization (ICAO) met with the representatives of Canada, Austria, Saudi Arabia, Japan, Korea, Russia and Egypt to notify them of the demarche (reftel) being delivered in their capitals and to request their support. She also discussed the matter of proposed airline taxes and other "innovative" means of financing development with ICAO Council President Kotaite. All Representatives with whom she spoke opposed the ticket tax. President Kotaite said that for procedural reasons, he would not be in a position to offer a statement unless something comes out of New York that mentions ICAO. He said that he had met recently with the French Foreign Ministry's Secretary General on the proposed airline tax, noting its

SIPDIS

inconsistency with ICAO policy, and suggesting that payment of the tax be voluntary. End Summary.

2. (SBU) Per reftel, the Acting US Representative held a series of meetings on September 7 on the draft declaration on innovative sources of financing to deliver the US position and request support.

3. (SBU) ICAO Council President Dr. Assad Kotaite agreed with the US's evaluation of the proposed airline tax as contained in reftel in that it is inconsistent with ICAO Council resolutions on taxation -- the most recent of which was published in ICAO Document 8632, Third Edition, Section 1, Council Resolution on Taxation of International Air Transport (OP 3). US Rep asked if the President would issue a statement on the proposed tax. Kotaite recalled that France had requested insertion of the matter on the next (October-November) Council Session agenda in the event of "new developments" -- presumably the initiative in New York. If/when a UN resolution on the matter mentions ICAO, he would be in a position to respond. He said that if the proposal had been for a new "charge" to support development/HIV/AIDS research, it would clearly have been ICAO-illegal, but an additional tax, Kotaite said, is not illegal. The most ICAO has been able to achieve in opposition to taxation of airline tickets is the Council Resolution cited above.

4. (SBU) Kotaite suggested that for political reasons, the United States should consider accepting a voluntary tax, such as UNICEF contributions requested of (but not required from) departing passengers at certain airports. He said that he had recently met with the Secretary General of the French Foreign Ministry about the GOF's airline tax proposal. Kotaite said that he had told him that the tax would be inconsistent with ICAO policy and therefore the GOF should consider instead a voluntary contribution. He said the French official appeared to like the idea and would raise it with others in his government. The US Rep responded that even a voluntary tax poses problems, including the difficulty of insuring clarity and transparency on management and distribution of the proceeds.

5. (SBU) The US Rep then met with likely Council supporters: Austria, Canada, Japan, Russia and Korea (Australia, China and Singapore, also allies, are away on vacation). The Austrian Representative said that her government did not favor the tax, but this was a matter on which there was no EU consensus. The airline ticket tax had been discussed in the EU's Financial Council in June, but no agreement had been reached. Thus, as far as she knew, it was still an "open subject."

6. (SBU) As far as Japan was concerned, the proposed ticket tax went beyond the competence of ICAO (all others agreed with him). His government was "very negative" on the subject, and believed the matter should be discussed in the

broader context of development assistance.

17. (SBU) The Canadian Ambassador agreed with the objective (of providing increased development assistance), but not the means, as a global tax is "not the appropriate way." Given differences in tax laws from country to country, the proposal would require a harmonization of fiscal regimes before it could be implemented. This is something that should be left up to the political leadership in New York, not ICAO. The current price of oil was another consideration. He promised to forward the US talking points to Ottawa.

18. (SBU) The Korean said that his government was flatly opposed to the ticket tax. Implementation of the tax would be difficult, particularly in view of the increasing price of oil and the deteriorating state of the aviation industry. Additional taxation will only further reduce demand for travel by air. He said he would ask his capital to support the United States on this in New York.

19. (SBU) The Russian Ambassador said that his government was also opposed to the tax, with his Civil Aviation Authority "strongly opposed." ICAO was not the appropriate forum to discuss development assistance; implementation would be very difficult.

110. (SBU) Egypt and Saudi Arabia opposed the tax, Egypt because of difficulties of implementation and lack of transparency on use of the proceeds, Saudi Arabia because it is opposed to any tax on airline tickets. Both said they would forward our talking points to their capitals for further guidance and to request support for the US position in New York.

111. (SBU) While discussion with ICAO Reps focused overwhelmingly on the proposed ticket tax, there was also interest in the US position on the IFF and the 0.7 percent GDP commitment. They also asked for a copy of the New York Declaration, which the US Rep has provided, so that they could forward the entire package to capitals.

Serwer Marshall